BENEV CAPITAL INC.

Management's Discussion and Analysis

March 26, 2014

The following is management's discussion in respect of the results of operations of BENEV Capital Inc. ("BENEV" or the "Company") for the year ended December 31, 2013 and comparative results of operations for the year ended December 31, 2012 and should be read in conjunction with the Company's audited consolidated financial statements as at and for the years ended December 31, 2013 and 2012. The financial statements of the Company are presented in Canadian dollars and are prepared in accordance with International Financial Reporting Standards ("IFRS"). The following Management Discussion and Analysis ("MD&A") is dated March 26, 2014. Additional information related to the Company, including its Annual Information Form, Management Information Circular and Proxy form is available on SEDAR at www.sedar.com.

CORPORATE UPDATE

On May 31, 2013 the Company completed the sale of its Saint Ambroise, Quebec waste treatment plant and related assets and liabilities to 8439117 Canada Inc., a company indirectly controlled by the plant's manager. The sale price was $7.7 million net of all post-closing adjustments. The Company may be entitled to additional consideration which could be as high as $2.0 million or more, contingent on the purchaser entering into a specific potential soil contract prior to March 7, 2016. The receipt of the potential contract for any amount of contingent consideration cannot be assured.

The Saint Ambroise treatment plant was the Company's sole operating facility and was responsible for all of the Company's sales and a substantial portion of its operating expenses for the past four years. With the completion of the sale transaction at the end of May, 2013, all of the Company's sales and plant operating costs, substantially all of the amortization, and some of its administrative and business development costs will not be recurring going forward.

Consistent with the strategy articulated by the Board of Directors in June, 2011, the sale transaction was designed to transform the Company and to enable it to create meaningful value for shareholders. The sale of the plant was a first step in this direction, which is expected to increase the range of available options and provide enhanced flexibility on a go forward basis. In addition to managing its cash and short-term investments position, the Company continues to seek to source, structure and complete a transformative transaction or series of transactions to enhance value for shareholders, with a focus on attractive equity investments in businesses with

cash flow as a first priority. A return of capital, special dividend and/or the dissolution of the Company may also be considered.

To this end and as previously announced, on August 6, 2013, Mr. Sean Morrison joined the Company`s executive team as President and Chief Executive Officer, to bolster the Company's M&A capabilities. Mr. Morrison has a successful track record in the M&A industry and is the founder and managing partner of Maxam Capital Corp. ("Maxam") which focuses on structured investments in both publicly traded and private companies. Prior to founding Maxam, Mr. Morrison was a partner at Capital West Partners, a Vancouver-based investment banking firm. Mr. Morrison's principal focus at the Company will be the sourcing, analysing, and executing of one or more transformational transactions, consistent with the Company's strategy.

Mr. Morrison joined Lawrence Haber, who became Executive Chair of the Board. As Executive Chair, Mr. Haber is responsible for the management of high level issues affecting the Company, including strategic planning and other public company and corporate issues.

Subject to any regulatory and stock exchange approval, required in connection with Mr. Morrison's appointment, a fund to be created by Maxam was granted a right to invest in the Company for an amount up to the lesser of (i) 10% of the total issued and outstanding common equity of the Company (or its successor) immediately following one or more transformational transactions, or (ii) $10 million. Subject to adjustment, such investment shall be comprised of publicly traded common shares of the Company (or its successor) priced equal to the value of the common shares ascribed in the transformational transaction. In the event that the form of the transformational transaction does not ascribe a value to the Company's shares, then Maxam's investment shall be priced according to the 10 trading day volume weighted average price of the Company`s common shares as quoted on a stock exchange commencing on the first trading day immediately after announcing such transformational transaction.

Following the sale of the waste treatment plant in Saint Ambroise, the TSX determined that the Company no longer meets the TSX's requirements for continued listing. Accordingly, the Company voluntarily delisted from the TSX effective September 23, 2013, and the Company's common shares commenced trading on the NEX Board of the TSX Venture Exchange under the new ticker symbol BEV.H.

Effective as of January 1, 2014, the Company entered into a services agreement (the "Services Agreement") with Maxam whereby Maxam is required to provide accounting, tax and public company compliance services, head office and infrastructure services and transaction support services to the Corporation. The Services Agreement with Maxam is part of the Company's initiative to decrease costs and overhead. The Services Agreement will be for a minimum term of 6 months. Either party may terminate upon sixty days prior written notice thereafter. Pursuant to the Services Agreement, the Company will pay Maxam a monthly service fee of approximately $30,000 plus reasonable out of pocket expenses. The Company's head office will also move into shared facilities with Maxam at 1245 – 200 Granville Street Vancouver BC V6C 1S4.

Pursuant to the Services Agreement, Mr. Greg Gutmanis shall be appointed to the position of Chief Financial Officer of the Company, effective on March 31, 2014. Mr. Gutmanis is

currently a Vice President of Maxam where he is responsible for due diligence, financial modelling, supporting transaction negotiation and deal completion, a position he will hold concurrently with his appointment as Chief Financial Officer of the Company. In addition, he is responsible for all financial reporting of Maxam's funds and management companies. The appointment of Mr. Gutmanis as Chief Financial Officer will bolster the Company's M&A capabilities as it seeks to complete a transformational transaction. Mr. Gutmanis will succeed Mr. Fred Cranston, the Company's current Chief Financial Officer.

SELECTED ANNUAL INFORMATION

The following sets forth selected financial data for each of the three most recently completed financial years (expressed in Cdn $):

	2013	2012	2011
Sales	-	28,298,586	-
(Loss) earnings for the year	(3,586,462)	9,300,197	(9,309,598)
(Loss) earnings per share			
Basic	(0.09)	0.24	(0.24)
Diluted	(0.09)	0.24	(0.24)
Working capital	68,382,722	64,187,970	52,337,827
Long-term liabilities	574,057	658,881	763,835
Shareholders' equity	67,808,665	70,959,491	60,839,858
Total assets	69,541,789	73,974,582	73,430,848

Variations of revenue and earnings over the three year period is due to the volumes of material processed. No material was processed in either 2011 or 2013. As previously noted, the Company sold its only operating facility on May 31, 2013. Working capital increased in 2013 over 2012 due to the sale of the Company's treatment plant. The variation in working capital between 2012 and 2011 resulted from increased earnings in 2012 when the plant was operating. Long-term liabilities have declined as the Company makes payments on its tenure obligations. The variations in shareholders' equity are due to changes in earnings over the three year period. Losses in 2013 caused the reduction in total assets as compared to the prior year.

SUMMARY OF 2013 PERFORMANCE AND TRENDS

Prior to the sale of its remaining operating facility on March 31, 2013, the Company's earnings were influenced by the following factors:

REVENUE

The Company generated its soil treatment revenues through obtaining contracts with government agencies or environmental services companies. The revenue generated was impacted by the volume of materials obtained and processed, and the price per tonne.

Volume

The Company occupied a niche product market for soil remediation. Volumes of material received and processed on an annual basis, can vary significantly period over period as it is dependent on where government and private sector funding spending is directed. On a long-term basis the revenue from material that will require thermal treatment has been sporadic.

Pricing

Pricing in the soil remediation business which affects material processed at the Saint Ambroise facility has been falling over the last several years due to overcapacity in the industry.

COSTS

The Company's operating costs consisted primarily of energy, labour, disposal and transportation and were impacted by the volumes of materials being processed through the facilities. The Company is also impacted by the administrative and business development expenses which are fixed in nature and will not fluctuate directly with the volume of materials processed.

Transportation

The costs for transportation of materials from the customer site to the Company's facilities have increased over the last several years as a result in the increasing energy costs, fuel surcharges, and insurance costs. The Company preferred to enter into contracts where the customer is responsible for the transportation and no longer including the transportation of materials to the Company's facilities as part of its treatment services in all cases. During 2012, the last year the facility operated, the Company's two largest contracts included transportation.

Labour

Direct labour costs per hour have continued to trend upwards which has impacted the operating costs of the Company. However, the direct labour costs incurred are a function of the volumes of materials being processed due to the campaign nature of operations.

Energy

The Company used a significant amount of energy in its remediation process. During 2012 energy accounted for approximately 33% of the Company's total direct variable costs (excluding transportation and costs incurred at customer sites).

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2013

Sales

Sales for 2013 were nil compared to $28.3 million in the same period a year earlier. The Company did not operate its waste treatment facility between January 1, 2013 and the date the sale of the facility was completed, May 31, 2013.

Operating Costs

Operating expenses are described in note 15 to the accompanying year end financial statements. These expenses are: wages and benefits; occupancy costs and goods and services expenses. All of these costs have variable and fixed components. Of the three categories, goods and services shows the greatest fluctuation with volume as it contains transportation and processing supply costs.

Operating costs for 2013 were $0.5 million compared to $13.4 million in 2012. Operating costs decreased significantly as no soil was processed in 2013.

Administration and Business Development Costs

The components of administration and business development costs are described in note 16 to the accompanying year end financial statements. These costs were $3.5 million in 2013, as compared with $4.8 million in 2012. Savings in wages, goods and services and occupancy costs were achieved in 2013 over the prior period as costs that pertained to the Saint Ambroise facility were no longer incurred after it was sold in May, 2013. There was also a reduction in share based compensation and professional fees over the prior year. Professional fees were lower due to reduced M&A costs which were partially offset by an increase in litigation costs pertaining to the John Bennett indemnity claims described in note 9 of the accompanying financial statements.

Amortization

Amortization expense for 2013 was $0.1 million compared to $0.8 million for 2012. Substantially all of the Company's amortizable long-term assets were sold on May 31, 2013 and classified as held for sale in March, 2013. Assets held for sale are not amortized.

Impairment Loss

For 2013, the Company has recorded an impairment loss of $0.04 million in connection with the expected relocation of its head office to Vancouver. In 2012 an impairment loss of $1.2 million was incurred in connection with the anticipated sale of the Saint Ambroise waste treatment plant.

Loss on Disposal of Assets Held for Sale and Related Restructuring Costs

The combined loss on disposal of assets held for sale and related restructuring costs for 2013 was $0.56 million. The loss on the disposal of assets held for sale of $0.3 million was due to disposal costs exceeding earlier estimates. These costs increased primarily as a result of the Company's decision to enter into a long-term insurance contract to protect against future liabilities and claims stemming from properties which have been sold. The Company has also recorded an

expense of $0.26 million for restructuring costs incurred in connection with the sale of the Saint Ambroise facility. These costs include a bonus awarded to the previous President and CEO for completing the sale of the facility and severance costs to be paid in connection with the downsizing of the Company's head office.

In September 2012, the Company and the purchaser of the Belledune facility reached an agreement regarding the Company's obligation to remediate the facility. As a result, the Company recorded an additional loss on disposal in the amount of $0.06 million in 2012.

Finance Income/Costs

Finance income earned in 2013 decreased by $0.2 million over the comparable period in 2012 due to an interest refund received in the first quarter of 2012 in connection with an income tax reassessment of a return filed in a prior period. No refund was received 2013.

Finance costs incurred in 2013 decreased by $0.07 million as compared to the same period in 2012. The decrease was due to a reduction in interest expense and a foreign exchange gain in 2013 versus a foreign exchange loss in 2012.

Income taxes

During 2013 the Company recorded a current income tax recovery of approximately $0.1 million versus a current income tax recovery of $0.2 million in the prior year. These income tax recoveries are due to a reduction in income tax accruals, recorded in prior periods, which are no longer required.

The Company incurred deferred income tax expense of nil in both years.

Net (Loss) Earnings

The net loss for 2013 was $3.6 million or basic and diluted loss per share of $0.09 as compared to a net earnings of $9.3 million for 2012 or a basic and diluted earnings per share of $0.24.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

At December 31, 2013 the Company had cash and equivalents of $69.0 million and net working capital (including cash) of $68.4 million compared to cash and equivalents of $63.9 million and working capital (including cash) of $64.2 million on December 31, 2012. At December 31, 2013 the Company had $0.01 million in restricted cash compared to $0.51 million at year end 2012. Restricted cash was used to secure corporate credit cards at December 31, 2013. At the previous year end the restricted cash was used to secure corporate credit cards and foreign exchange contracts.

Cash from Operating Activities

Cash used in operating activities was $2.4 million during 2013 compared to cash provided by operating activities of $4.4 million for 2012. The net loss for the period, partially offset by non-cash charges, such as share-based compensation, was primarily responsible for the use of cash in 2013.

Earnings generated in 2012, partially offset by the increase in amounts receivable and the decrease in deferred revenue and deferred cost, resulted in a net provision of cash for that year. The Company recorded deferred revenue when cash was collected from customers before soil was processed. Deferred revenue was drawn down as the customer's soil was processed. Deferred costs are expenses such as transportation that are deferred until the related soil has been treated.

Cash from Investing Activities

Cash of $7.5 million and $0.8 million was generated from investing activities during 2013 and 2012, respectively. Cash received on disposal of the Saint Ambroise plant, and a decrease in restricted cash were primarily responsible for the generation of cash in 2013. Cash was provided in the prior period when deposits used to secure a line of credit were returned to the Company.

Cash from Financing Activities

Cash used in financing activities during 2013 was $0.01 million as compared to cash used in financing activities of $0.1 million for 2012. The use of cash in both years was due to the repayment of finance lease obligations, which was offset in 2013, by proceeds from the exercise of stock options.

Capital Expenditures

The Company purchased equipment for and made improvements to its Saint Ambroise facility in the amount of $0.02 million during 2012 as compared to $0.2 million in the prior year.

CONTRACTUAL OBLIGATIONS

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Millions of Canadian dollars	Carrying amount	Contractual cash flow	2014	2015	2016	2017	2018	Thereafter
Tenure agreement	$ 0.65	$ 0.71	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.08	$ 0.31
Finance leases	0.02	0.02	0.02	-	-	-	-	-
Accounts payable and accrued liabilities	0.41	0.41	0.41	-	-	-	-	-
Total contractual obligations	$ 1.08	$ 1.14	$ 0.51	$ 0.08	$ 0.08	$ 0.08	$0.08	$ 0.31

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

SUMMARY OF QUARTERLY RESULTS

The following table discloses certain unaudited financial data for the eight most recently completed quarters, expressed in millions of Canadian dollars (except per share data – basic and diluted which is in dollars).

	2013				2012			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net sales	-	-	-	-	7.83	12.23	8.23	-
Net income (loss)	(0.53)	(0.87)	(1.30)	(0.90)	0.61	6.55	3.37	(1.22)
Earnings (loss) per common share*								
Basic	(0.01)	(0.02)	(0.03)	(0.02)	0.02	0.17	0.09	(0.03)
Diluted	(0.01)	(0.02)	(0.03)	(0.02)	0.02	0.17	0.09	(0.03)

*The sum of the quarterly earnings per share values in 2013 and 2012 does not equal the total on the financial statements for the respective years due to rounding.

Variations in revenue over the last eight quarters are due to the volumes of material processed in each quarter. The net income in the third quarter of 2012 is significantly higher than the second and fourth quarters of 2012. This is due to differences in: volumes processed; the amount of transportation included in revenue; and income taxes.

Losses occurred in all quarters of 2013 and the first quarter of 2012 due to the absence of revenue. A loss on the sale of the plant and related restructuring costs were recorded in the second quarter of 2013 resulting in the largest loss of all the zero revenue quarters. Subsequent to the second quarter of 2013 the Company achieved significant cost reductions in operating and administrative expenses due to the sale of the Saint Ambroise facility. However, during the third quarter of 2013 these cost reductions were offset by increases in legal fees relating to litigation with John Bennett and stock-based compensation. The fourth quarter of 2013 had the lowest loss for all non-operating quarters of 2013 and 2012 as the savings from the sale of the plant were not negatively impacted by any unusually large administrative expenses.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2013

Sales

Sales for the fourth quarter of 2013 were nil compared to $7.8 million in the same period a year earlier. The sale of the Company's waste treatment facility was completed on May 31, 2013.

Operating Costs

Operating costs for the fourth quarter of 2013 were nil compared to $4.2 million in 2012. The Company has not incurred operating expenses subsequent to the completion of the sale of its waste treatment facility.

OTHER INCOME STATEMENT ITEMS

Administration and Business Development Costs

Administration and business development costs were $0.7 million in the fourth quarter of 2013, compared with $1.2 million in the same quarter of 2012. Administrative cost savings resulting from the sale of the treatment facility, reductions in share based compensation and professional fees in connection with M&A activities were partially offset by increases in legal expenses as compared to the same quarter of 2012. The increase in legal costs was primarily due to John Bennett's indemnity claims against the Company which are described in note 9 of the accompanying financial statements.

Amortization

Amortization expense was $0.003 million in the fourth quarter of 2013 compared with $0.2 million in the same quarter of 2012. Substantially all of the Company's amortizable long-term assets were sold on May 31, 2013.

Impairment Loss

All of the impairment losses for 2013 and 2012 were recorded in the fourth quarter of each year. For a description of these losses refer to "Impairment Loss" in the section of this report which discusses the results of operations for the full year.

Finance Income/Costs

There was no significant fluctuation in finance income or finance costs in the fourth quarter of 2013 as compared to the same quarter of the prior year.

Income Taxes

The Company recorded a current income tax expense of nil in the fourth quarter of both periods.

A deferred tax expense of nil was recorded in the current period versus $0.6 million in the same period of the prior year. The deferred tax expense in the prior period resulted from generation of taxable income in the fourth quarter which drew down the deferred tax asset recorded in the third

quarter of 2012. The deferred tax asset was recorded in order to recognize income tax loss carry-forwards in advance of the date they could be realized.

Net (Loss) Earnings

The net loss for the fourth quarter of 2013 was $0.5 million or a basic and diluted loss per share of $0.01 compared to a net earnings of $0.6 million or basic and diluted earnings per share of $0.02 for the fourth quarter of 2012. Earnings were higher in the comparable period of the prior year as a result of the operation of the Saint Ambroise facility which has been sold, as previously described.

FINANCIAL AND OTHER INSTRUMENTS

On occasion short-term foreign exchange forward contracts are used to reduce foreign exchange risk. The Company marks these contracts to market, and records the corresponding gain or loss in income.

As at December 31, 2013 the Company had no foreign exchange contracts outstanding. As at December 31, 2012, the Company held a foreign exchange contract to sell $0.23 million U.S. with an insignificant fair value on that date.

CONTINGENCIES AND PROVISIONS

There were no developments during 2013 or subsequent to year end regarding provisions or contingencies except for the following which are described in greater detail in note 9 to the accompanying financial statements:

Indemnity claim

In 2010, John Bennett, the Company's founder and former CEO, brought an Application to the Ontario Superior Court ("Court") to compel the Company to reimburse him for the legal costs he may incur in connection with his indictment for bid-rigging and other illegal activities during the time period he was CEO of the Company. The Company believed it was not required to indemnify Mr. Bennett for the expenses and served a Motion Record seeking to stay the former director's Application pending a resolution of the criminal proceedings against him. He served a cross-motion seeking interim relief. The Court heard both of these motions in 2010 and subsequently dismissed the Company's motion resulting in the Court issuing an Interim Order requiring the Company to reimburse Mr. Bennett for legal costs incurred after August 30, 2009. In late 2010, the Application was converted to an action. Statements of Claim and Defence were exchanged in 2012.

The Company has provided for Mr. Bennett's legal costs estimated to be incurred and reimbursable to him at the end of the current reporting period. The cost to the Company in respect of his future legal expenses will be recorded when these expenses are known and the amounts reimbursable to him can be reasonably estimated.

The Company has not been able to successfully dispute Mr. Bennett's preceding indemnity claims due to the unavailability of key witnesses and other constraints. As a result of recent developments these constraints have been removed and the Company has now filed a motion which seeks to have the Interim Order set aside, and the action dismissed. If successful, this will deny Mr. Bennett future indemnification payments and require the repayment of all sums advanced under the Interim Order. The outcome of these proceedings cannot be determined at this time.

Liability to Insurance Underwriter

The Company expects to receive reimbursement from its insurance underwriter in the amount of approximately $0.38 million for Mr. Bennett's legal expenses incurred in connection with his indictment as described above. This expected reimbursement has been recorded as amounts receivable. Under its funding agreement with the underwriter, the Company expects to be required to repay all legal costs it recovers from the underwriter in the event that Mr. Bennett is found guilty. The Company has adequately provided for the estimated liability that may result from this requirement.

Fraud claim against John Bennett

The Company has filed a claim against Mr. Bennett for $10.3 million. The claim alleges that he was directly or indirectly responsible for the illegal payments that resulted in the Company pleading guilty to conspiracy to commit fraud. In addition to seeking to recover these illegal payments, the associated fines and legal fees, the claim seeks to recover bonuses which were inappropriately paid and punitive damages. The claim had been stayed, with the consent of both parties, until June of this year when Mr. Bennett withdrew his consent to the stay in order to serve the Company with a statement of defence and counterclaim in the amount of $30 million. The Company believes that it is not probable that any liability will arise and no amount has been recorded in the Company's financial statements in respect of this counterclaim or the Company's claim.

As a result of recent developments described in this report under the section entitled "Indemnity Claim", the Company has accepted Mr. Bennett's lifting of the stay and has filed a motion which seeks to strike his counterclaim and obtain judgement on the Company's claim.

Claim against contractor

During 2010 the Company filed a claim against a contractor for breach of contract and negligent representation in the amount of $1.0 million. The contractor counter-claimed for breach of contract and interference with contractual relationships in the amount of $0.3 million. The Company and the contractor signed a full and final mutual release in June 2013, subject to the terms and conditions contained in the minutes of settlement, whereby the parties released and discharged each other from any and all actions and claims related to the matters under dispute. The Company had not recorded any amounts in respect of these claims.

Environmental Protection Agency

During the first quarter of 2012, the United States Environmental Protection Agency ("EPA") provided the Company with a Notice of Proposed Debarment for a period of five years resulting from documentary and procedural compliance deficiencies in connection with a prior agreement with the EPA. On October 3, 2012, the Company announced the resolution to all outstanding issues with the EPA. Pursuant to the terms of the negotiated Administrative Agreement (the "Agreement") executed by the parties, the Company agreed to undertake certain reporting, certification, and monitoring requirements for a period of two years to expire on October 2, 2014. To the extent the Company satisfies the terms of the Agreement, the EPA agreed not to exclude it from performing work for the U.S. Government.

The Agreement was amended on July 17, 2013 as a result of the sale of the Saint Ambroise facility to 8439117 Canada Inc. Under these amendments, the conditions of the Agreement will continue to apply to both the Company and the Saint Ambroise facility, with the Company having sole responsibility for compliance with the Agreement. The purchaser of the facility has agreed to cooperate with the Company to satisfy the terms of the Agreement and in return for this commitment the Company will cover the costs of compliance for the facility. The estimated cost of this compliance has been accrued and included in the Company's calculation of loss on disposal of assets held for sale and related restructuring costs for 2013.

TRANSACTIONS WITH RELATED PARTIES

The following transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Information regarding the compensation of key personnel is recorded in note 25 of the accompanying financial statements. The following related party transactions are described in more detail in the "Corporate Update" section of this report:

In May of 2013, the Company completed the sale of its Saint Ambroise, Quebec waste treatment plant and related assets and liabilities to 8439117 Canada Inc., a company indirectly controlled by the plant's manager. Subsequent to the sale, the plant manager is no longer an employee of the Company.

During 2013 the Company paid fees of $0.02 million (2012 – nil) to a legal firm where Mitchell Gropper, a current director of the Company, is a partner.

Subsequent to 2013, Maxam, a corporation whose founder and managing partner is the new President and CEO of the Company, entered into a Services Agreement with BENEV.

During 2013, a fund to be created by Maxam was granted a right to invest in the Company.

SHARE CAPITAL

The number of common shares outstanding at March 26, 2014 was 38,778,897. There were 3,078,525 stock options outstanding as at March 26, 2014 exercisable at prices from $1.50 to $2.12 per share.

CRITICAL ACCOUNTING ESTIMATES

The Company prepares its consolidated financial statements in accordance with IFRS and makes estimates and assumptions that affect the reporting amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingencies. On an on-going basis the Company evaluates its estimates and judgements, including those related to revenue recognition, adequacy of allowance for doubtful accounts, impairment of long-lived assets, share-based transactions, provisions and contingences and deferred tax assets and liabilities. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from the Company's estimates. Senior management has discussed, with the Company's audit committee, the development, selection, and disclosure of accounting estimates used in preparation of our consolidated financial statements.

The following critical accounting policies affect our more significant estimates and assumptions used in preparing our consolidated financial statements:

- The Company maintains an allowance for doubtful accounts for estimated losses that may arise if any of its customers are unable to make required payments. The Company considers factors such as a customer's credit-worthiness, past transaction history, current economic industry trends and changes in customer payment terms when determining if collection is reasonably assured. If these factors indicate collection is not reasonably assured, revenue is deferred until collection is reasonably assured or the Company may increase its allowance for doubtful accounts. A change in these factors could impact the estimated allowance and the provision for bad debts recorded in administration and business development expenses. There was no significant change in the allowance for credit losses in the period.

- Estimates of the useful lives of capital and definite-lived intangible assets are based on the nature of the asset, historical experience and the terms of any related supply contracts. The residual value and useful life of property, plant and equipment asset is reviewed at each financial year end and if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The Company performs its impairment test on long-lived assets upon the occurrence of events or changes in circumstances indicate that an impairment loss may have been incurred. If the estimated recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is recorded as an impairment loss. It was determined that there were no impairment losses in 2013 other than the write-down of the Oakville property, plant and equipment as described in the results of operations section of this report.

- A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company did not recognize any deferred tax assets as at December 31, 2013 as it is not probable that future taxable profits will be available against which the deferred tax assets can be utilized.

- Note 9 of the 2013 consolidated financial statements discloses the provisions recognized by the Company as at December 31, 2013. A provision is recognized if, as a result of a past event, the Company has a legal or constructive present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. It was determined that there were no other provisions required as at December 31, 2013 other than those disclosed in the 2013 consolidated financial statements.

- The Company evaluates contingent losses based on the probability of whether the future event will confirm that an asset is impaired or liability incurred and whether the amount of the loss can be reasonably estimated. It was determined that there were no other material contingencies requiring disclosure as at December 31, 2013 other than those disclosed in note 9 of the accompanying financial statements.

CHANGES IN ACCOUNTING POLICIES

During 2013, the following accounting policies were adopted:

Amendments to IFRS 7 - Offsetting Financial Assets and Financial Liabilities:

In December 2011, the International Accounting Standards Board ("IASB") amended IFRS 7, Financial Instruments: Disclosures and added additional disclosure requirements for offsetting financial assets and financial liabilities in accordance with IAS 32 Financial Instruments: Presentation. The amendments are effective for annual periods beginning on or after January 1, 2013. The adoption of the amendments to IFRS 7 did not have a material impact on the financial statements.

IFRS 10 – Consolidation of Financial Statements and Interest in Other Entities:

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and Standing Interpretations Committee ("SIC") Interpretation 12 Consolidation - Special Purpose Entities. IFRS 10 defines the principle of control, establishes control as the basis for determining when entities are to be consolidated, and provides guidance on how to apply the principle of control to identify whether an investor controls an investee. Adoption of IFRS 10 did not have a material impact on the financial statements.

IFRS 13 Fair Value Measurement:

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income. Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as outlined below:

Level 1 – Quoted market price in active markets for identical assets or liabilities.

Level 2 – Inputs, other than quoted market prices, that are observable either directly (i.e. observed prices) or indirectly (i.e. derived from prices or markets).

Level 3 – Inputs for the assets or liabilities are not based on observable market data.

The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any changes to the valuation techniques used by the Company to measure fair value or any measurement adjustments as at January 1, 2013. The additional disclosures required by IFRS 13 are included in note 23.

Amendments to IAS 19 - Employee Benefits:

The IASB published an amended version of IAS 19 Employee Benefits in June 2011. The amendments will require that past service costs be recognized in full immediately in profit or loss. The amendments impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37, Provisions, and when the entity can no longer withdraw the offer of the termination benefits. Adoption of the amendments to IAS 19 did not have a material impact on the financial statements.

RISK FACTORS

Information on "Risk Factors" can be found in the Company's Annual Information Form dated March 26, 2014 for the fiscal year ended December 31, 2013.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A, or incorporated herein by reference, may constitute "forward-looking statements" which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The use of the words “anticipate”, “continue”, “estimate”, “expect”,

"may", "will", "project", "should", "believe", "confident", "plan" and "intends" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties. The following are some factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in international, national and local business and economic conditions; legislation and governmental regulation; accounting policies and practices; and the results of operations and financial condition of the Company. The foregoing list of factors is not exhaustive. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as expressly required by law.